



# Results for FY22

## Ended March 31, 2023

Net One Systems Co., Ltd.  
May 9, 2023 (Stock Code 7518: JP)

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# 1

## Summary

## FY22 (ended March 31, 2023)

**Captured customer demand for DX to post record revenue and operating income despite impact of external factors such as longer product delivery times and rising purchase costs**

## FY23 (ending March 31, 2024)

### Accelerate growth toward attaining Medium-Term Business Plan targets

#### Growth Strategy

##### Business strategy

##### Service strategy

##### Financial strategy

- Formulate capital allocation policy
- Shareholder returns and investing for growth

#### Reinforcement of the Business Base

##### Personnel strategy

##### Thorough visualization

##### Corporate culture reforms

- Development of professional human resources
- Ongoing corporate culture reforms

## Decided acquisition and cancellation of treasury shares with a view to enhancing corporate value and shareholder interest

### Purpose

To attain Medium-Term Business Plan targets by implementing a flexible capital policy in response to changes in the operating environment, improving capital efficiency, and enhancing shareholder returns

### Summary of acquisition and cancellation of treasury shares

Total number of acquirable shares	3,500,000 (maximum) (4.26% of total outstanding shares [excluding treasury shares])
Total acquisition price	JPY7,500,000,000 (maximum)
Period of acquisition	May 10, 2023 through December 31, 2023
Total number of cancelable shares	All treasury shares obtained through the acquisition described above shall be canceled
Tentative date of cancellation	March 29, 2024

### Next steps

Retained earnings will be utilized for share buybacks as part of shareholder returns as well as investing for business expansion and growth (e.g., in personnel to strengthen the business base) to attain Medium-Term Business Plan targets

## FY22 results overview

### Bookings

Bookings decreased YoY due to bookings ahead of schedule in the Q4 FY21, despite steady progress thanks to demand for network enhancement and security reinforcement.

### Revenue

Revenue grew YoY. All revenue delayed from FY21 recorded, converting abundant backlogged orders into revenue thanks to measures to counteract longer product delivery times.

### Operating income

Operating income increased YoY in line with revenue growth.

## FY23 full-year outlook

### Bookings

Ongoing strong growth expected to fulfill demand related to digitalization

### Revenue

Assumes extended product delivery times through 1H, but revenue projected to remain strong thanks to the large backlog of orders

### Operating income

Operating income expected to grow in line with forecast, supported by expansion of focus services such as fully managed services

# 2

## FY22 results

# Summary of FY22 results

(JPYmn, % to revenue)	FY21 Results (A)		FY22 Results (B)		YoY (B-A)		FY22 Forecast (Reference)	
					Amount	%		
Bookings	231,844		219,807		(12,036)	-5.2%	215,000	
Backlog	139,160		149,066		+9,905	+7.1%	-	
Revenue	188,520	100.0%	209,680	100.0%	+21,159	+11.2%	210,000	100.0%
Cost of sales	136,734	72.5%	159,312	76.0%	+22,578	+16.5%	151,000	71.9%
Gross profit	51,786	27.5%	50,367	24.0%	(1,418)	-2.7%	59,000	28.1%
SG&A	34,995	18.6%	29,731	14.2%	(5,264)	-15.0%	37,000	17.6%
Operating Income	16,790	8.9%	20,635	9.8%	+3,845	+22.9%	22,000	10.5%
Ordinary Income	16,832	8.9%	20,660	9.9%	+3,827	+22.7%	21,000	10.0%
Profit attributable to owners of parent	11,225	6.0%	14,458	6.9%	+3,232	+28.8%	14,000	6.7%
Earnings per share (JPY)	134.15		175.95		+41.80	+31.2%	170.48	

While bookings in the Enterprise market remained robust, total bookings decreased YoY, mainly due to a downturn in the Public market. Revenue and operating income increased YoY due to the conversion of abundant backlogged orders thanks to successful measures implemented in response to product delivery delays, as well as the booking of unrecognized revenue from FY21.



## (Accounting for engineering department expenses)

**We consolidated and reorganized our engineering department and redefined their roles during FY22 to expand customer contact points and accelerate the shift to services by integrating technology functions, and to strengthen profitability management.**

**As a result, a portion of the labor costs and other expenses attributed to the engineering department responsible for providing services, which were previously recorded in SG&A expenses, are now recorded as cost of sales.**

**Figures for previous fiscal years cannot be accurately tallied using our newly adopted accounting policy, rendering the retroactive application of this policy impractical. Accordingly, this accounting policy will apply to figures recorded in FY22 and all subsequent accounting periods.**

**Due to this change, costs on uncompleted construction contracts were up ¥808 million at the end of FY22. In addition, cost of sales grew by ¥4,662 million and SG&A expenses decreased by ¥5,470 million, resulting in ¥808 million increases in operating income, ordinary income, and profit before income taxes in FY22. Meanwhile, net assets per share and earnings per share climbed upward by ¥6.83.**

# [Reference] Results under the previous accounting policy

(JPYmn, % to revenue)	FY21 Results (A)		FY22 Results (B)		YoY (B-A)	
					Amount	%
<b>Bookings</b>	<b>231,844</b>		<b>219,807</b>		<b>(12,036)</b>	<b>-5.2%</b>
<b>Backlog</b>	<b>139,160</b>		<b>149,066</b>		<b>+9,905</b>	<b>+7.1%</b>
<b>Revenue</b>	<b>188,520</b>	<b>100.0%</b>	<b>209,680</b>	<b>100.0%</b>	<b>+21,159</b>	<b>+11.2%</b>
<b>Cost of sales</b>	<b>136,734</b>	<b>72.5%</b>	<b>154,650</b>	<b>73.8%</b>	<b>+17,915</b>	<b>+13.1%</b>
<b>Gross profit</b>	<b>51,786</b>	<b>27.5%</b>	<b>55,029</b>	<b>26.2%</b>	<b>+3,243</b>	<b>+6.3%</b>
<b>SG&amp;A</b>	<b>34,995</b>	<b>18.6%</b>	<b>35,202</b>	<b>16.8%</b>	<b>+206</b>	<b>+0.6%</b>
<b>Operating Income</b>	<b>16,790</b>	<b>8.9%</b>	<b>19,827</b>	<b>9.5%</b>	<b>+3,036</b>	<b>+18.1%</b>
<b>Ordinary Income</b>	<b>16,832</b>	<b>8.9%</b>	<b>19,851</b>	<b>9.5%</b>	<b>+3,019</b>	<b>+17.9%</b>
<b>Profit attributable to owners of parent</b>	<b>11,225</b>	<b>6.0%</b>	<b>13,897</b>	<b>6.6%</b>	<b>+2,671</b>	<b>+23.8%</b>
<b>Earnings per share (JPY)</b>	<b>134.15</b>		<b>169.13</b>		<b>+34.98</b>	<b>+26.1%</b>

# Revenue and P/L by reportable segment

	(JPYmn)	Reportable segment					Other	Total	Adjustment	Amount recorded in consolidated income statements
		Enterprise	Telecom Carrier	Public	Partner	Sub-total				
FY22 【Result】	Revenue	49,457	49,005	61,684	46,365	206,513	3,387	209,901	(221)	209,680
	Segment income	4,611	4,958	5,492	6,225	21,288	141	21,429	(794)	20,635
	Segment income margin	9.3%	10.1%	8.9%	13.4%					9.8%
	[Reference: the results under the previous accounting policy]									
	Revenue	49,457	49,005	61,684	46,365	206,513	3,387	209,901	(221)	209,680
	Segment income	4,328	4,830	5,094	6,225	20,479	141	20,621	(794)	19,827
	Segment income margin	8.8%	9.9%	8.3%	13.4%					9.5%
FY21 【Previous】	Revenue	41,289	48,207	56,961	40,211	186,669	1,958	188,627	(107)	188,520
	Segment income	3,484	4,797	5,485	3,706	17,473	(111)	17,362	(571)	16,790
	Segment income margin	8.4%	10.0%	9.6%	9.2%					8.9%

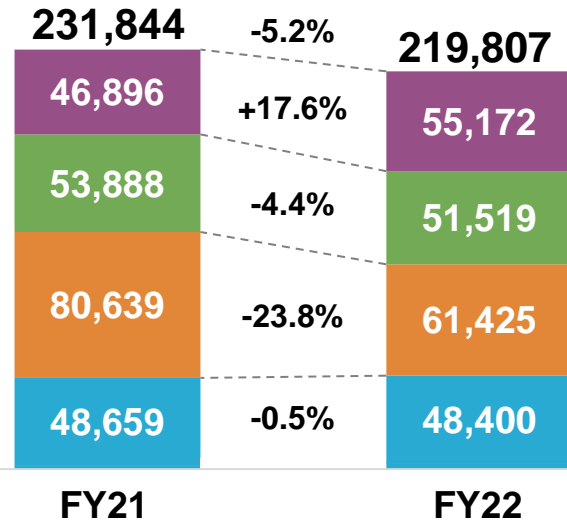
(Notes)

1. As described on page 8, the accounting policy has been changed from the FY22. For comparison purposes, the results under the previous accounting policy are shown on the table.
2. The Internet Service Provider (ISP) business was reclassified from the Enterprise sector to the Telecom Carrier sector from FY22. The results for FY21 shown in the table reflected this reclassification.
3. The "Other" segment is not included as a reportable segment. It contains the global business.
4. The adjustment in segment income included corporate expenses not attributable to any reportable segment. Corporate expenses are mainly related to general administrative expenses not attributable to reportable segment.

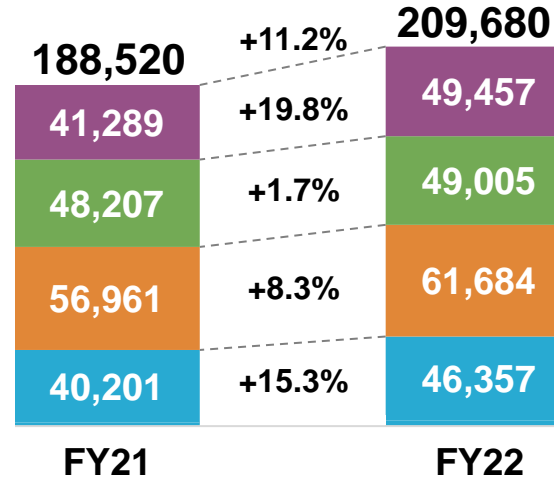
# Bookings, revenue, and backlog by market sector

(JPYmn)

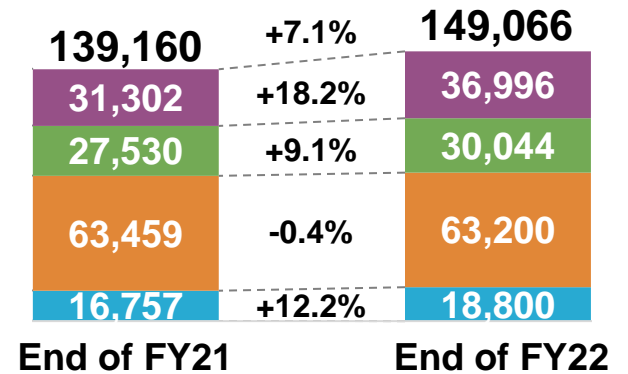
## Bookings



## Revenue



## Backlog

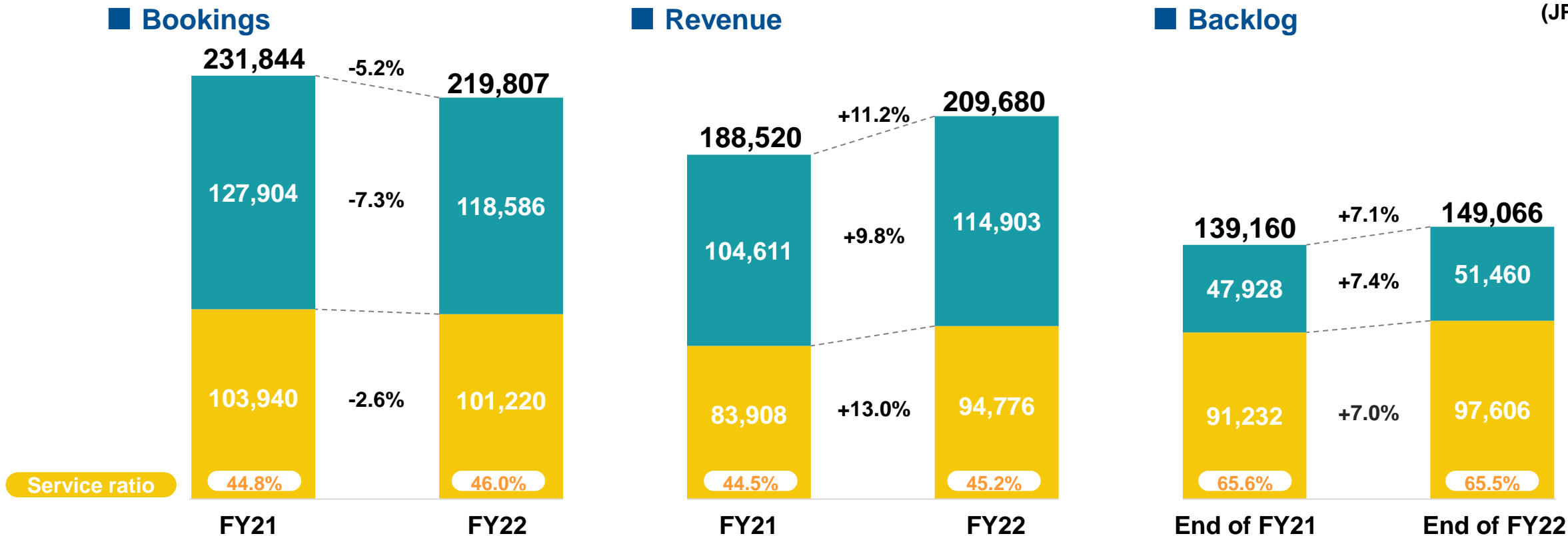


<b>Enterprise</b>	<p><b>Bookings:</b> In the manufacturing industry, brisk year-round investment by automakers (mainly EV-related) drove markets. With regard to non-manufacturing industries, next-generation infrastructure and security enhancement businesses (Zero Trust networks/SASE) were favorable, sharply boosting bookings YoY. Bookings for next-generation platform construction remained robust in the financial industry.</p> <p><b>Revenue:</b> Revenue was up YoY, driven by revenue from automakers whose investment is recovering.</p>
<b>Telecom Carrier</b>	<p><b>Bookings:</b> Bookings were down YoY but in line with forecast. Network reinforcement projects in response to growth in telecommunication volume (due to remote working, etc.) turned down, although co-creation business was strong.</p> <p><b>Revenue:</b> Revenue grew YoY due to progress in recording revenue from network enhancement projects carried over from FY21.</p>
<b>Public</b>	<p><b>Bookings:</b> Bookings declined YoY in part because security cloud and security enhancement projects for local governments dissipated and in part because the Public market did not receive the boost provided during FY21 by large social infrastructure projects. In the educational sector, network systems renewal projects for research centers and universities were strong.</p> <p><b>Revenue:</b> Revenue increased YoY due to progress in recording revenue, primarily from security cloud and security enhancement projects for local governments.</p>
<b>Partner</b>	<p><b>Bookings:</b> Despite continued brisk network enhancement and security reinforcement businesses for key partners, bookings fell slightly due to a YoY downturn in the Wi-Fi service business for MSPs.</p> <p><b>Revenue:</b> Revenue was up YoY, driven by strong business of key partners.</p>

(Note) The internet service provider (ISP) business has been reclassified from the Enterprise sector to the Telecom Carrier sector, effective from the beginning of FY22. Results for FY21 shown in the graphs above have been adjusted to reflect this change.

# Bookings, revenue, and backlog by product category

(JPYmn)



<b>Product</b>	<p><b>Bookings:</b> Bookings fell YoY, mainly because security cloud projects for local governments slowed in the Public market and the MSP business (part of the Partner business) dissipated.</p> <p><b>Revenue:</b> Revenue increased YoY as the Company converted abundant backlogged orders into revenue thanks to measures to counteract longer product delivery times.</p>
<b>Service</b>	<p><b>Bookings:</b> Bookings were down YoY, due primarily to a deceleration in orders associated with service-type security cloud projects for local governments in the Public market.</p> <p><b>Revenue:</b> Revenue was up YoY, driven by security cloud projects for local governments, expansion of various services, and an increase in product-related services.</p>

(Note) SaaS (cloud services) was reclassified from product to service from FY22.

In the FY21, SaaS included bookings of JPY3,771mn, revenue of JPY3,505mn, and backlog of JPY598mn in the product group.

# Consolidated balance sheets

(JPYmn)	Mar. 31, 2022	Mar. 31, 2023	Change	
	Results	Results	Amount	%
<b>Total assets</b>	<b>161,713</b>	<b>178,651</b>	<b>+16,938</b>	<b>+10.5%</b>
<b>Current assets</b>	<b>149,334</b>	<b>161,106</b>	<b>+11,772</b>	<b>+7.9%</b>
Cash and deposits	20,281	35,509	+15,228	+75.1%
Notes and accounts receivable-trade	51,362	51,383	+21	+0.0%
Inventory assets	43,928	37,903	(6,025)	-13.7%
Other	33,762	36,310	+2,548	+7.5%
<b>Noncurrent assets</b>	<b>12,378</b>	<b>17,545</b>	<b>+5,166</b>	<b>+41.7%</b>
Property, plant and equipment	4,728	9,497	+4,769	+100.9%
Intangible assets	1,070	1,523	+453	+42.3%
Investment etc.	6,579	6,523	(56)	-0.9%
<b>Total liabilities</b>	<b>93,165</b>	<b>102,887</b>	<b>+9,721</b>	<b>+10.4%</b>
<b>Current liabilities</b>	<b>77,918</b>	<b>80,084</b>	<b>+2,166</b>	<b>+2.8%</b>
<b>Non-current liabilities</b>	<b>15,247</b>	<b>22,802</b>	<b>+7,554</b>	<b>+49.5%</b>
<b>Total net assets</b>	<b>68,547</b>	<b>75,764</b>	<b>+7,217</b>	<b>+10.5%</b>
<b>Shareholders' equity</b>	<b>67,406</b>	<b>76,029</b>	<b>+8,622</b>	<b>+12.8%</b>
Accumulated other comprehensive income	956	(408)	(1,364)	-
Subscription rights to shares	168	143	(24)	-14.7%
Non-controlling interests	15	0	(15)	-100.0%
<b>Total liabilities and net assets</b>	<b>161,713</b>	<b>178,651</b>	<b>+16,938</b>	<b>+10.5%</b>

# Reference indicators

	FY21	FY22	YoY	
			Amount	%
<b>Dividends per share (JPY)</b>	<b>72.00</b>	<b>74.00</b>	<b>+2.00</b>	<b>+2.8%</b>
<b>Exchange rate (\$JPY)</b>	<b>110.66</b>	<b>124.52</b>	<b>+13.86</b>	<b>+12.5%</b>
<b>Number of consolidated employees (as of the end of fiscal year)</b>	<b>2,703</b>	<b>2,548</b>	<b>(155)</b>	<b>-5.7%</b>
<b>Number of employees excluding EXT and NOA</b>	<b>2,510</b>	<b>2,548</b>	<b>+38</b>	<b>+1.5%</b>
<b>Number of employees of EXT and NOA</b>	<b>193</b>	<b>0</b>	<b>(193)</b>	<b>-100.0%</b>

(Notes)

1. The Company paid an interim dividend of JPY37.00 per share on December 1, 2022. The Company plans to submit a proposal for a year-end dividend of JPY37.00 per share, to the ordinary general meeting of shareholders to be held on June 2023.

2. EXT: eXtreak, Inc., NOA: Net One Asia Pte. Ltd.

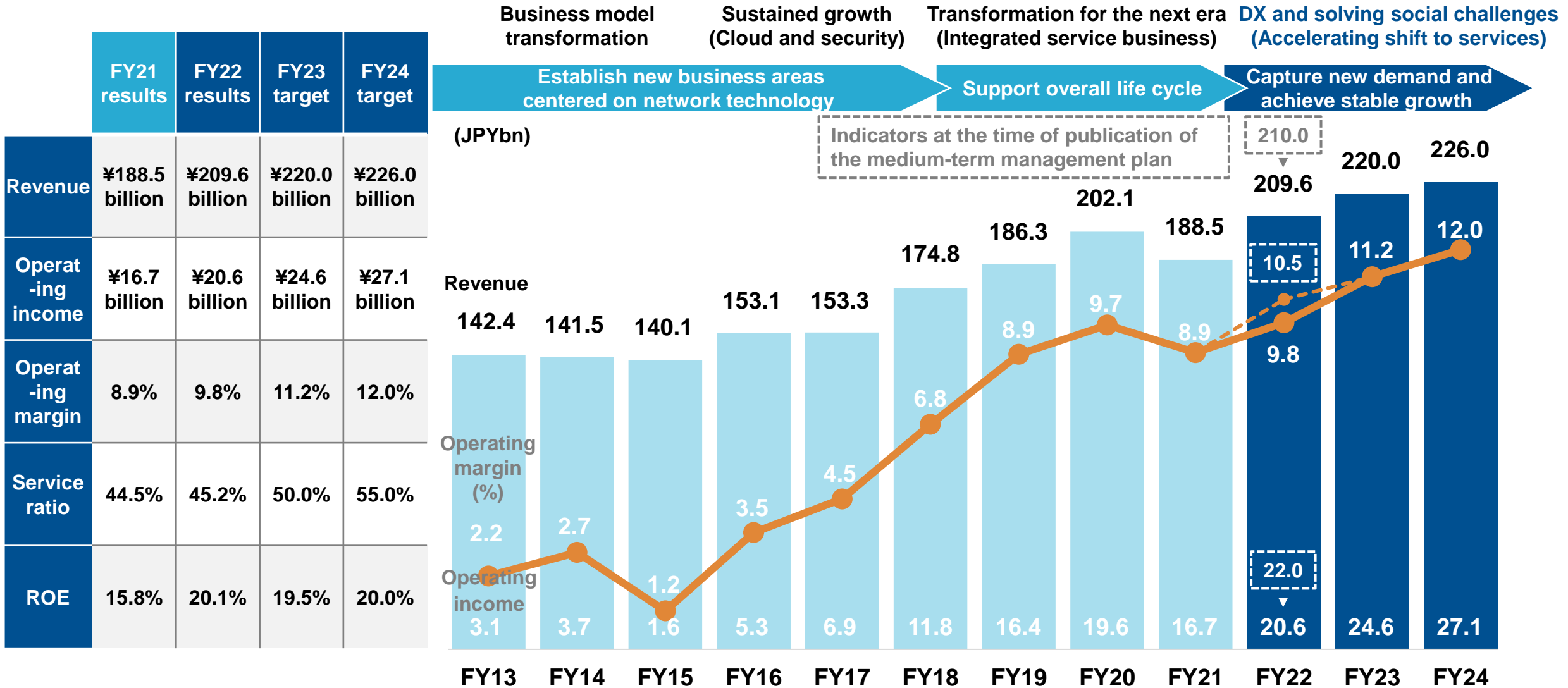
EXT and NOA were excluded from the consolidated subsidiaries following the transfer of their shares. (announced on February 1, 2023, February 22, 2023)

# 3

## Progress of medium-term business plan



# Medium-term business plan targets



## Aim for revenue growth of JPY30bn (compared to the FY21) in the three focus areas of high DX demand

### Smart manufacturing

FY22	
Bookings	Revenue
JPY4.3bn	JPY2.0bn

### Digitalization of social infrastructure to realize Society 5.0

FY22	
Bookings	Revenue
JPY3.5bn	JPY1.7bn

### Digital government

FY22	
Bookings	Revenue
JPY10.5bn	JPY3.5bn

## Bookings results

- Projects for automotive & semiconductor manufacturers
- Proof of concept project for the visualization of power consumption
- Collaborative projects with telecom carriers
- Collaboration with a general electronics manufacturer on a proof-of-concept project focused on next-generation wireless technology
- Proof-of-concept project for a machine tool manufacturer

- Multi-access edge computing (MEC) hub construction projects for telecom carriers
- Integrated security services project for railroads
- Next-generation broadcasting IP projects

Promote digitalization of social infrastructure in six segments



- Large project of security cloud for local governments (five-year service type)
- VDI projects facilitating the development of telework environments

## Issues

- Support from the grand design phase
- Smart Glasses
- Use of wireless, enhanced security
- Visual representation of networks

- Edge-computing (MEC)
- Smart building
- Group ICT governance
- Medical digital transformation (DX)
- Circular economy

- DX services for local governments
- Activities related to data integration platforms (urban OS, etc.)
- Infrastructure review for government cloud connection
- Digitalization of quasi-public sector business areas such as education

Expand business scope by providing new value and standardization, starting with delivery of ICT infrastructure system

Strengthen three service areas while pursuing greater sophistication and standardization

## DX strategy consulting services

### Evolve into ICT/DX consulting

Develop more sophisticated and comprehensive services with main focus on utilizing digital technologies in business

## Managed services

### Strengthen service lineup

Expand pattern-based menu as well as operation menu for each customer

## In-house cloud services

### Create in-house cloud services

Translate requirements from past case examples into modules and services and offer them as functions

## Services provided

- Formulate grand design
- Support ICT management reforms
- Visualize cost-effectiveness of ICT investment and operational efficiency (planned)

- Vendor cloud and managed services
- Security services
- Operation services

- Cloud HUB service
- Video recording management service
- Local government CRM service

## Themes for the future

- Services that help improve business efficiency by visualizing cost-effectiveness of ICT investment and resources and digitalizing operational processes

- Operation services that oversee multivendor products and cloud that utilize cloud services provided by vendors

- Creation and effective rollout of Net One's original service package based on market needs and early adoption cases

**Optimized network environment, assured security, and began providing netone Managed SASE**

**Provide full lifecycle of next-generation network infrastructure as a managed service**



**01 Provide multi-cloud infrastructure that assures security**

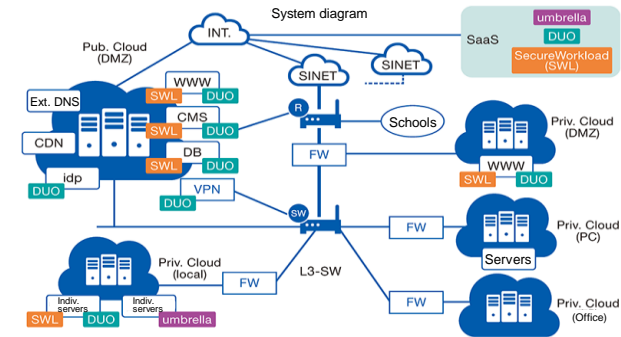
**02 Deliver optimal design for customers' business and security requirements and achieve safe migration**

**03 Provide sophisticated security operation and lifecycle operation support**

**Build platforms where the same policy can be applied to all environments (on-premises and cloud), providing low latency, expandability, consistency, and reduced operational load**

**Fully upgraded Doshisha University's campus network, delivering ICT environment that prioritizes security**

**Using Zero Trust network, realized ICT environment that can be used freely by anyone, anywhere, and at any time**



**Strengthened security with multi-factor authentication**

Authentication using push notification in app and time-based one-time password (TOTP) ensures safe access to campus network from outside the university

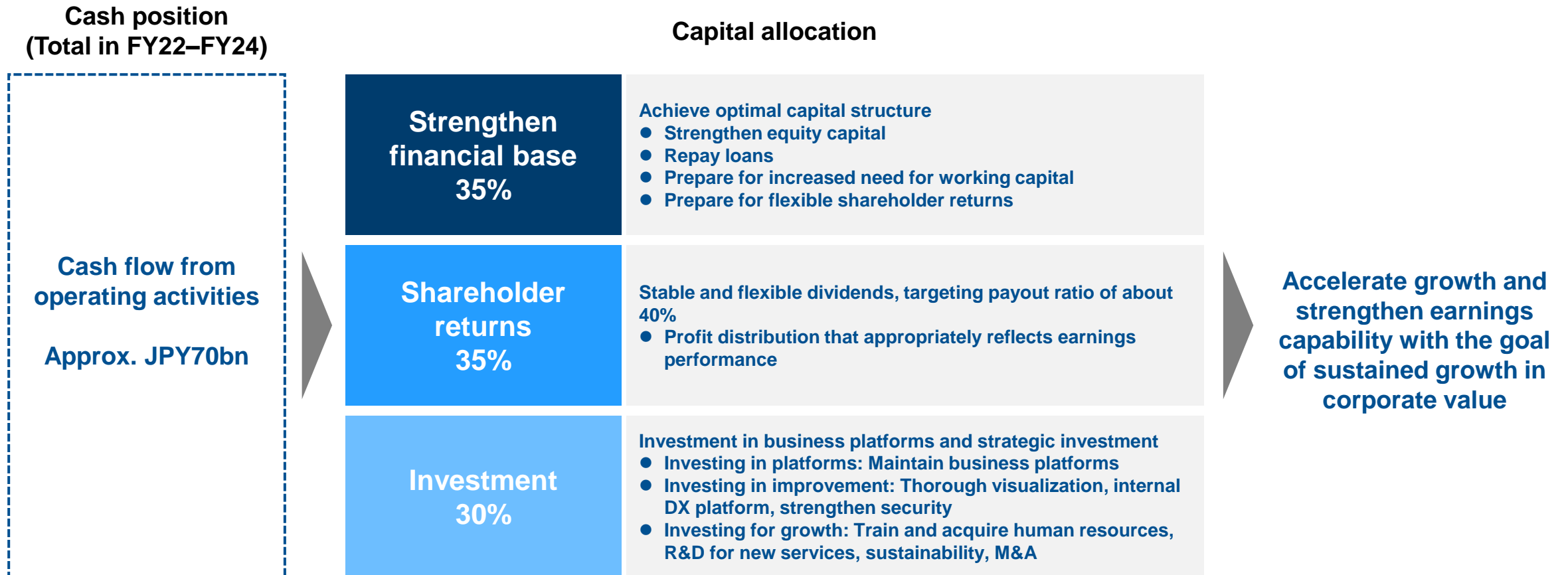
**Control access to dubious destinations**

Control access that cannot be prevented by IP address control to protect internal and external Internet access

**Automatically blocks communication when anomaly is detected**

Logical separation of virtual machines into individual security segments enables machines to learn normal communication between servers and automatically isolates a machine when an anomaly is detected.

## Formulate capital allocation policy to achieve a cycle of sustained growth in corporate value



(Note) 1. Cash flow from operating activities above is after deducting R&D expenses.  
 2. The breakdown is based on the three-year total of the Medium-Term Business Plan period.

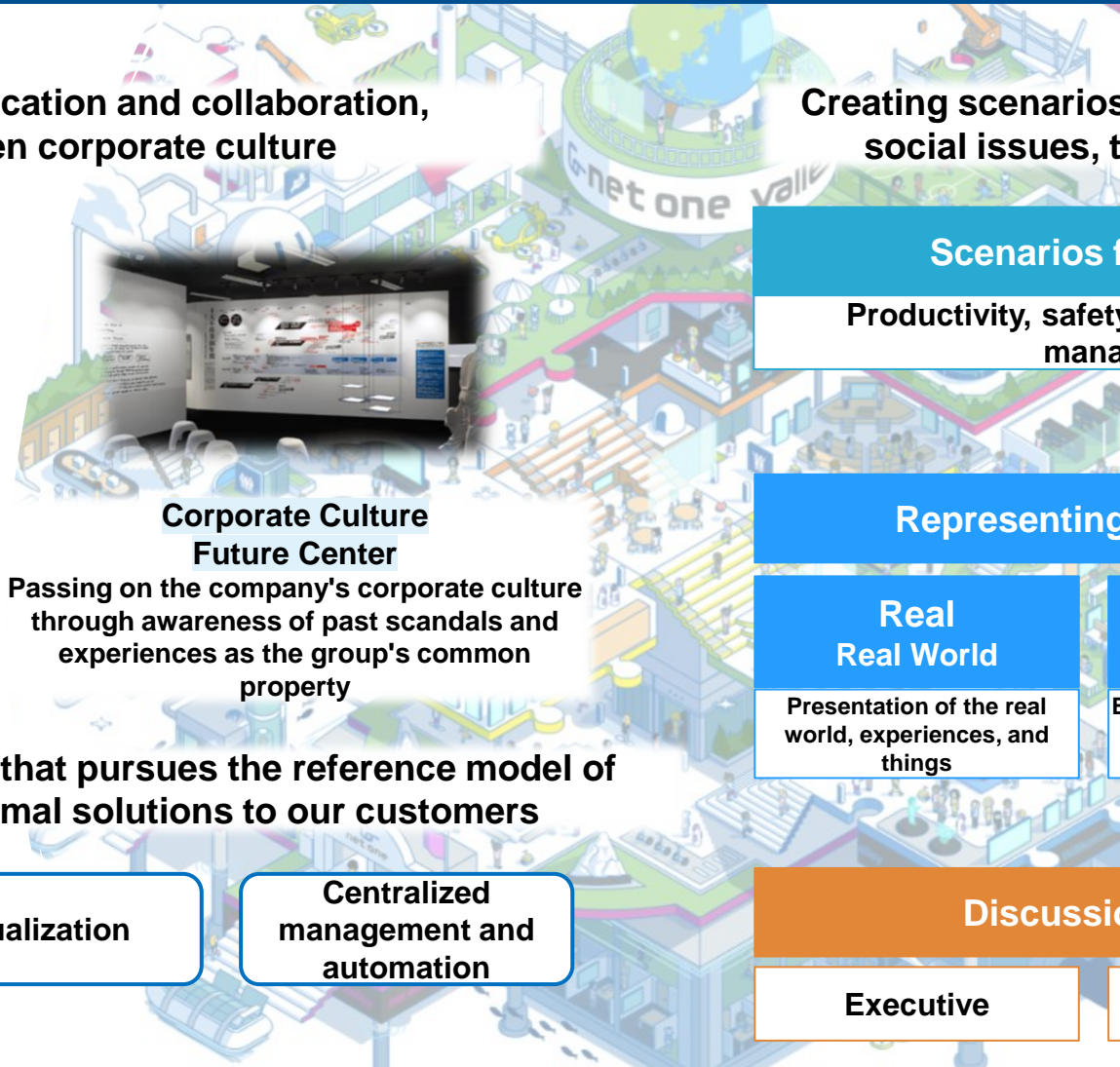
A place to create new value and take on the challenge of opening up a prosperous future

Encourage communication and collaboration, to foster an open corporate culture

Creating scenarios together for the purpose of solving social issues, to accelerate innovation creation



VALLEY



Corporate Culture Future Center

Passing on the company's corporate culture through awareness of past scandals and experiences as the group's common property

Meet people, technologies, and information from inside and outside the company to accelerate collaboration and synergy

With ICT infrastructure that pursues the reference model of DX, proposing optimal solutions to our customers

Scenarios for solving social challenges  
Productivity, safety, green IT, quality management, health management, and other topics



Representing each scenario in a three-layer

**Real Real World**  
Presentation of the real world, experiences, and things

**Metaverse Virtual Space**  
Expressing the Digital World with Images that can freely enrich information

**Data Visualization and Analysis**  
Visualize and analyze things and actions in Real and Metaverse with data



Discussion from three perspectives

Executive

Technical Officer

Infra Manager

Latest infrastructure products

Visualization

Centralized management and automation

# 4

## FY23 forecast

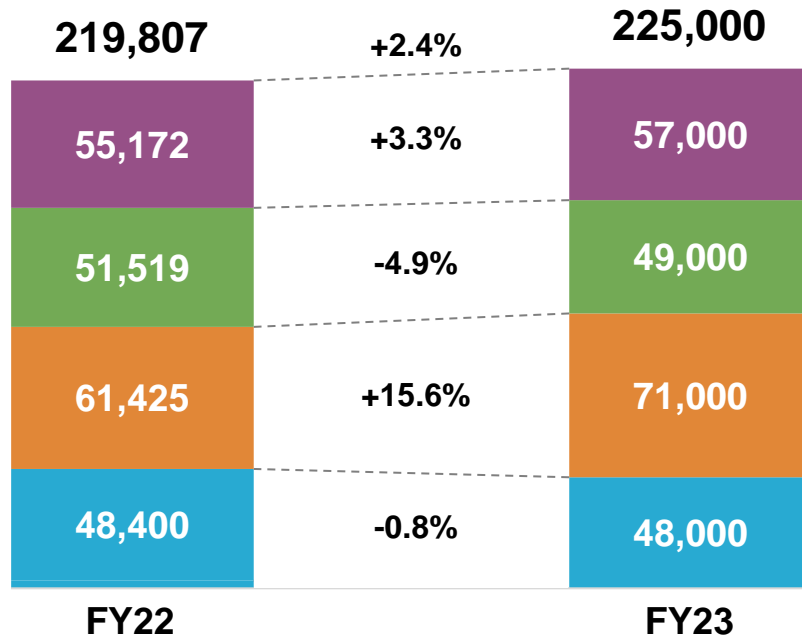
# FY23 forecast

(JPYmn, % to revenue)	H1		H2		Annual		YoY	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Bookings</b>	106,000		119,000		225,000		+5,192	+2.4%
<b>Revenue</b>	93,000	100.0%	127,000	100.0%	220,000	100.0%	+10,319	+4.9%
<b>Cost of sales</b>	68,000	73.1%	93,000	73.2%	161,000	73.2%	+1,687	+1.1%
<b>Gross profit</b>	25,000	26.9%	34,000	26.8%	59,000	26.8%	+8,632	+17.1%
<b>SG&amp;A</b>	16,500	17.7%	17,900	14.1%	34,400	15.6%	+4,668	+15.7%
<b>Operating Income</b>	8,500	9.1%	16,100	12.7%	24,600	11.2%	+3,964	+19.2%
<b>Ordinary Income</b>	8,400	9.0%	16,000	12.6%	24,400	11.1%	+3,739	+18.1%
<b>Profit attributable to owners of parent</b>	5,800	6.2%	11,200	8.8%	17,000	7.7%	+2,451	+16.9%
<b>Dividends per share (JPY)</b>	43.00		43.00		86.00		+12.00	+16.2%



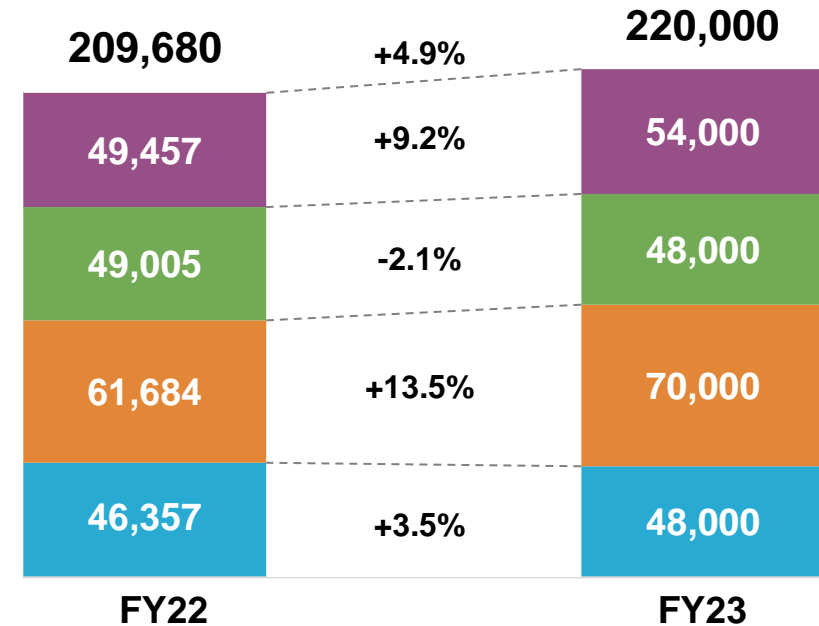
# FY23 forecast by market sector

## Bookings



## Revenue

(JPYmn)



### Enterprise

**Bookings:** We forecast expansion of smart manufacturing (mainly among automakers) within the manufacturing industry and growth of business operations associated with service platforms to address digitalization and security enhancement within non-manufacturing industries. Bookings in the financial industry are expected to remain flat.  
**Revenue:** We expect revenue growth as we convert abundant backlogged orders into revenue.

### Telecom Carrier

**Bookings:** In anticipation of a YoY drop in network enhancement projects, we will focus on supporting digitalization and security enhancement through corporate and co-creation businesses.  
**Revenue:** We assume slight decline in revenue despite progress in booking revenue for network enhancement projects.

### Public

**Bookings:** We project bookings for security cloud and security enhancement projects for local governments to decline YoY, but will focus on digitalization of social infrastructure to realize Society 5.0 in the field of social infrastructure.  
**Revenue:** Revenue growth is expected mainly from security cloud and security enhancement projects for local governments as we convert the large backlog of orders into revenue.

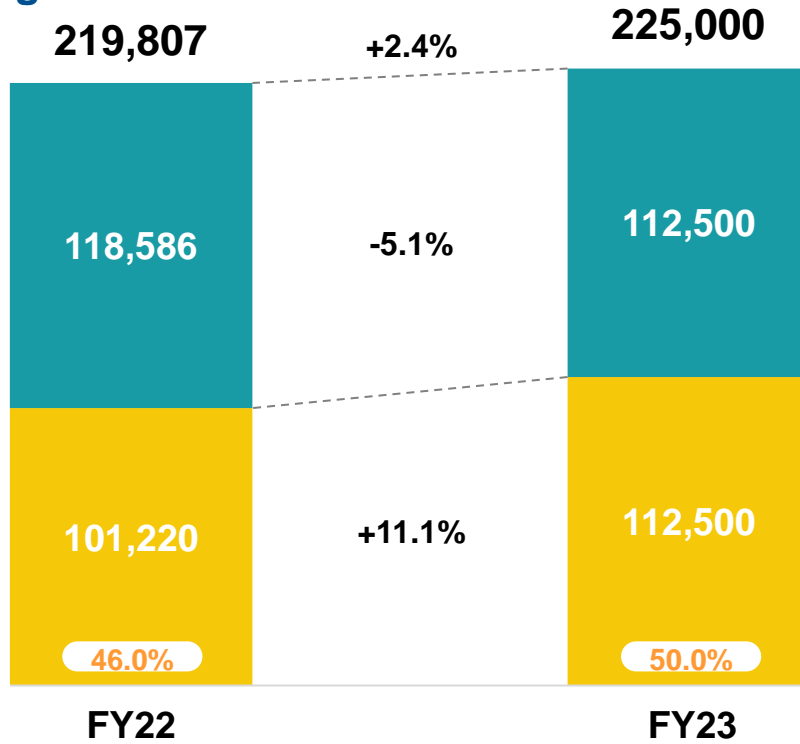
### Partner

**Bookings:** We will continue to strengthen collaborative business with key partners. Wi-Fi service business for MSPs is expected to remain flat.  
**Revenue:** We expect YoY revenue growth on strengthened collaborative business with key partners.

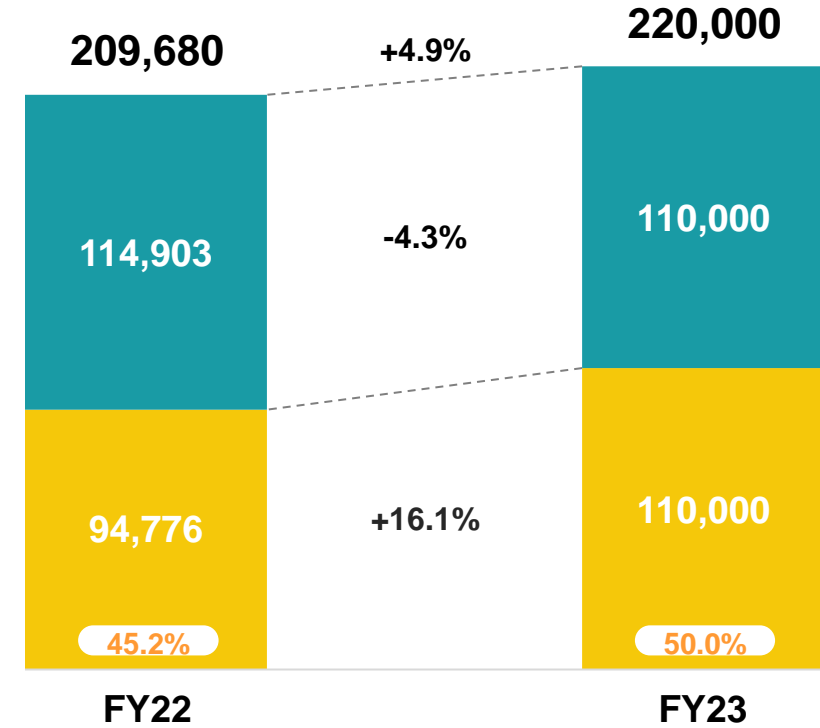
# FY23 forecast by product category

(JPYmn)

## Bookings



## Revenue



Service ratio

### Product

**Bookings:** In the Telecom Carrier market, investment in network enhancement is expected to run its course. We will focus on recurring revenue businesses.

**Revenue:** Revenue is projected to decline due to the continuing impact of longer product delivery times and the shift to services.

### Service




**Bookings:** Bookings are expected to grow, driven by expansion of focused services and the shift to services.

**Revenue:** Revenue is expected to increase as the Company converts its large backlog of orders into revenue.

# 5

## Sustainability

Material sustainability issues		KPIs		Progress in FY22
<b>Achievement of a safe and secure advanced information society</b> 	<b>Providing solutions and services for specific issues and fields</b>	<b>Revenue from solutions for social issues</b>	<b>2024 target: JPY30.0bn</b>	<b>JPY7.2bn</b>
	<b>Expanding and promoting service-based businesses</b>	<b>Service ratio</b>	<b>2024 target: 55%</b>	<b>45.2%</b>
<b>Success of professional personnel</b> 	<b>Developing human resources for the next generation</b>	<b>Security personnel</b>	<b>CISSP certification holders</b> 2030 target: 80	<b>23</b> (FY22 target) 24
			<b>Registered information security specialists</b> 2030 target: 100	<b>51</b> (FY22 target) 46
		<b>Cloud personnel</b>	<b>Front office departments</b> 2030 target: 50% increase in cloud personnel (232 at end-FY21)	<b>448</b> (FY22 target) 239
		<b>DX personnel (with certifications in data analysis)</b>	<b>Corporate divisions</b> 2030 target: Increase of 150 employees	<b>23</b> (FY22 target) 25
			<b>100 operational improvement proposals (target cumulative total over 2022–2030)</b>	<b>7</b>
		<b>Development of next-generation ICT personnel</b>	<b>Expansion of next-generation IT personnel development programs through academic–industrial collaboration</b>	<b>In progress</b>
	<b>Promoting diversity and inclusion</b>	<b>Ratio of female executives</b>	<b>2030 target: 15%</b>	<b>7.8%</b>
	<b>Percentage of freshly recruited new graduates who are women</b>	<b>2030 target: 50%</b>	<b>28.6%</b> (FY22 target) 35.5%	
	<b>Growth in the rate of male employees taking childcare leave and special leave at the time of childbirth</b>	<b>2030 target: 90%</b>	<b>68.0%</b>	

Material sustainability issues		KPIs		Progress in FY22
<b>Contributing to the achievement of a decarbonized society</b>  	<b>Reducing greenhouse gas emissions generated through our business activities</b>	<b>Expansion of green solutions</b>	<b>Development and expansion of solutions and services that assist both customers and society with greenhouse gas emission reduction</b>	<b>Three solutions created</b> 1. Remote support 2. Proof of data deletion 3. Visualization of DC electricity
	<b>Reducing emissions stemming from internal operational processes</b>	<b>Growth in sales of products and services that require less energy consumption</b>	<b>Reduction of the ratio of CO<sub>2</sub> emissions generated through the procurement and sale of products and services (which account for the majority of CO<sub>2</sub> emissions) to the total monetary values paid or received for the same products and services</b>	<b>Scope 2 and 3</b> 25.6% reduction of carbon intensity per revenue / (FY22 target) 3.5% reduction  Note: Preliminary value before confirmation of some emissions data
<b>Maintaining and strengthening a governance system that facilitates sustainable growth</b> 	<b>Fostering an appropriate corporate culture and bolstering internal controls</b>	<b>Distribution of annual employee awareness surveys in an effort to foster an appropriate corporate culture</b>	(*Survey results to be disclosed in the future)	<b>Survey distributed to all employees at end-September</b>
		<b>Progress reports on recurrence prevention measures</b>	<b>Semiannual reports on the Company's website regarding the operational status of recurrence prevention measures</b>	<b>Operational status details for H2 FY22 disclosed through the Company's website</b>
	<b>Achieving Health Management®</b>	<b>Accreditation as a Certified Health &amp; Productivity Management Outstanding Organization</b>	<b>2024 target: Accreditation as a Certified Health &amp; Productivity Management Outstanding Organization</b>	<b>In progress</b>

# 6

## Measures to prevent recurrence

## Accomplishments in FY22

- Strengthened corporate governance by reviewing organizational structure
  - Strengthened supervision of business execution and established a prompt and flexible business execution system by transitioning to a company with an audit and supervisory committee
- Spread new management vision and Code of Conduct
  - Promoted activities to disseminate the new corporate philosophy system by bringing together all members of management and employees
- Established a mechanism to ensure our corporate values stay
  - Formulated a policy to establish a forum for all employees (Corporate Culture Future Center) to reflect on the past, including instances of fraud, and to realize the future development of the Company, and confirmed the content of exhibits
- Further strengthened internal control system
  - Implemented improvements to business rules and processes that reflect employee feedback
  - Established a PDCA cycle of regular investigations other than internal audits that leads to improvement initiatives
- Strengthened governance of Group companies
  - Established and began operating a common whistleblower contact desk for all Group companies

## Action plans for further progress in FY23 and beyond

- Further spread of new management vision and Code of Conduct
  - Expand and strengthen structures and initiatives to ensure management vision and Code of Conduct are firmly established
  - Implement ongoing corporate culture monitoring surveys and corporate culture reforms
- Establish a mechanism to ensure our corporate values stay
  - Establish and operate Corporate Culture Future Center, a forum for all employees
- Transition to new personnel system and ensure its sound operation
  - Build group of highly specialized personnel with the goal of putting management strategy into action
  - Build a human resources base to prevent recurrence of fraud
- Operational reforms for company-wide optimization
  - Promote establishment of new business platforms and strengthen system controls
- Strengthen risk management structure
  - Autonomous risk management activities by division responsible for risk management
- Strengthen governance of Group companies
  - Promote improvement activities in accordance with the business practices of each company by fostering a common understanding of objectives shared by all Group companies
  - Continue to operate the common whistleblower contact desk for all Group companies

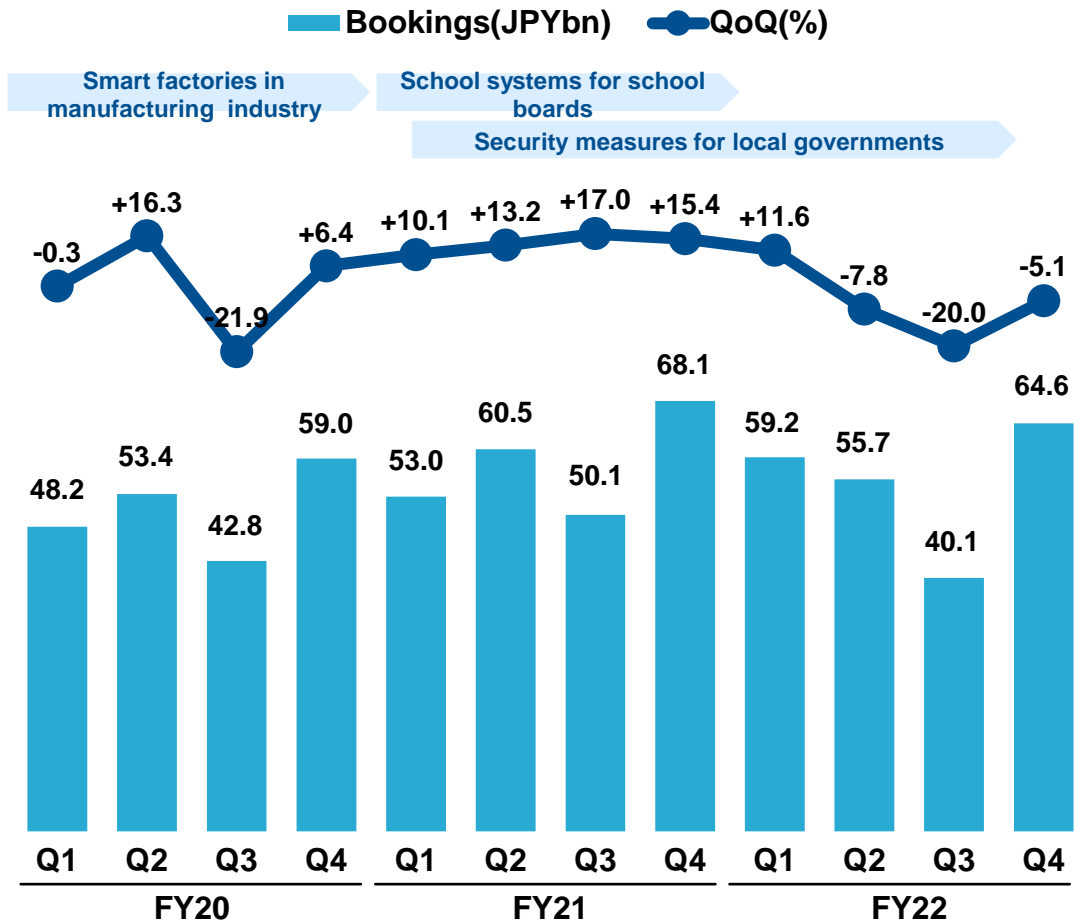
# 7

## Appendix

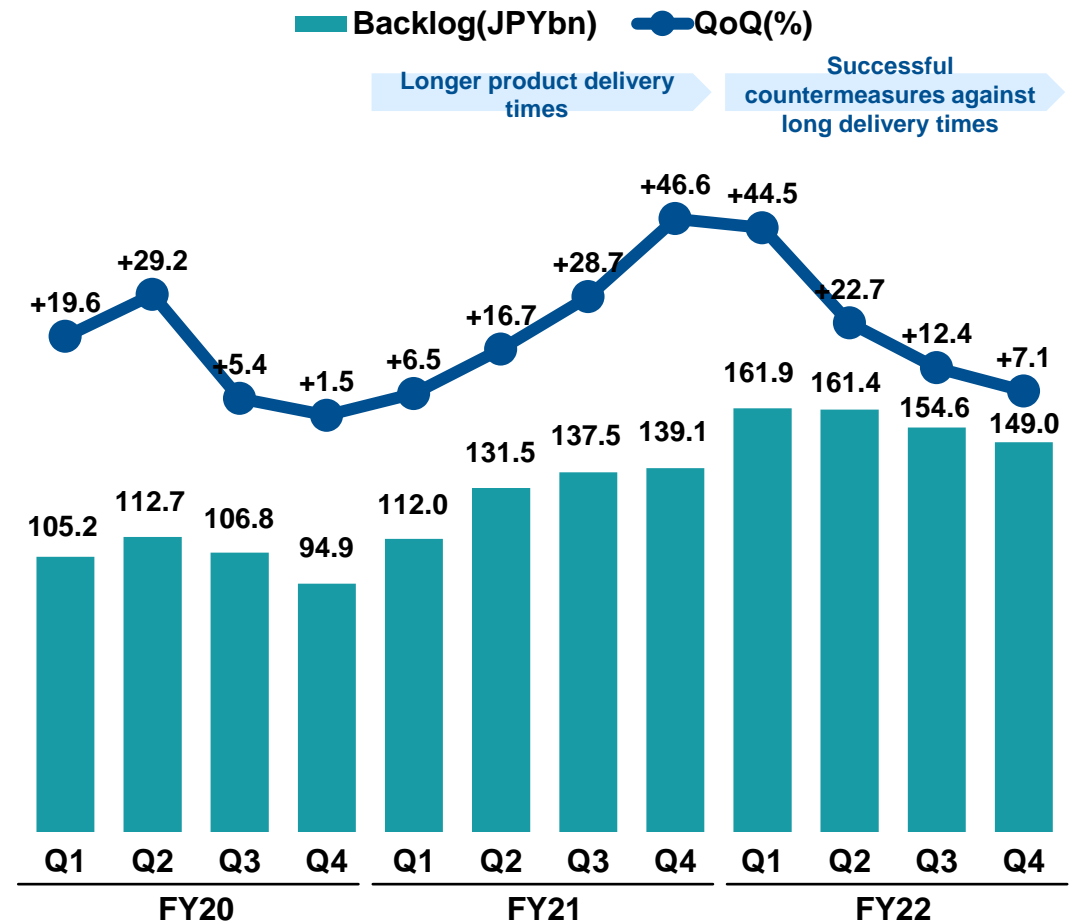


# Quarterly Changes (bookings / backlog)

## Bookings

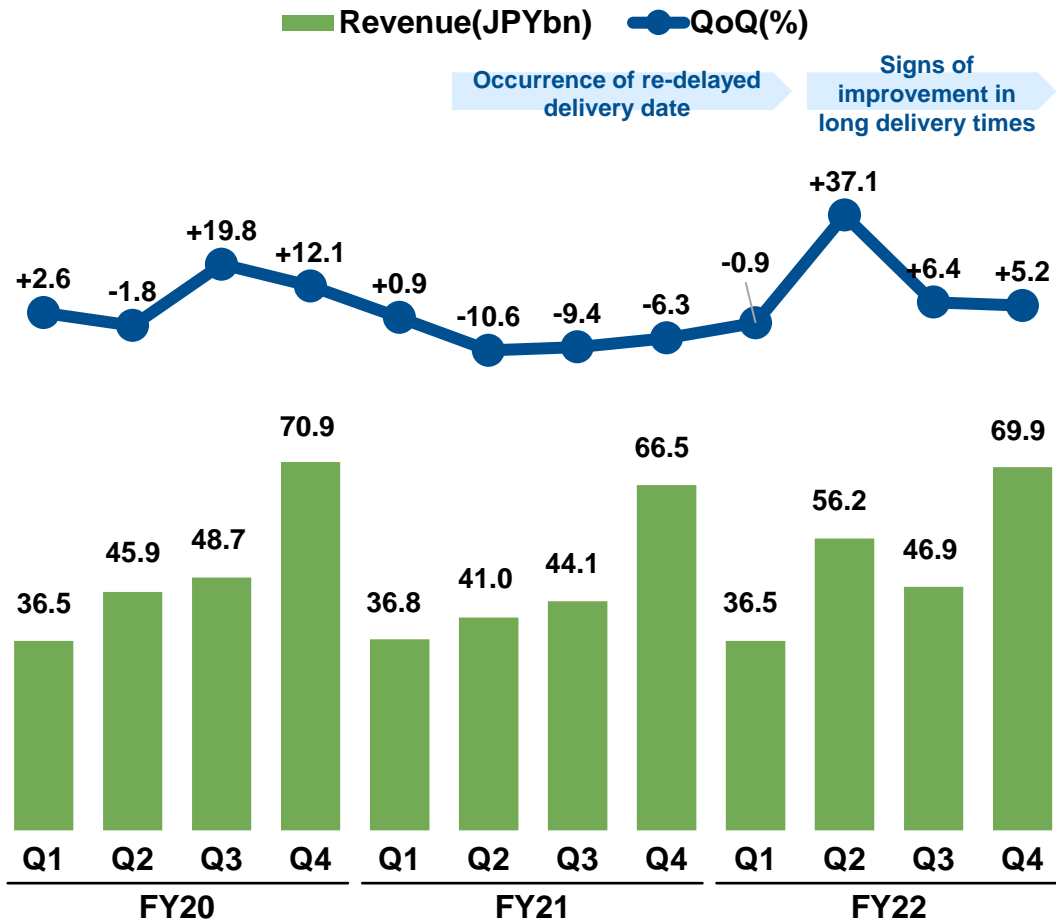


## Backlog

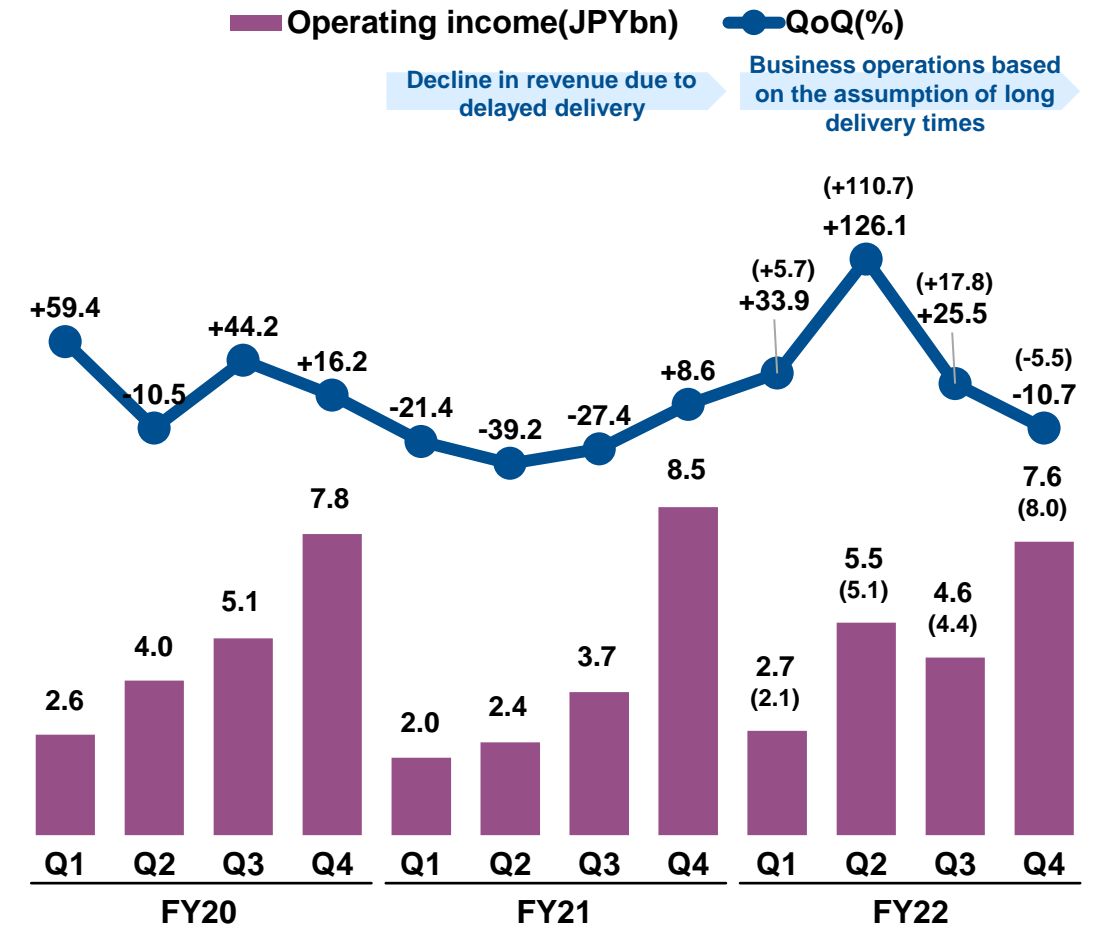


# Quarterly Changes (revenue / operating income)

## Revenue



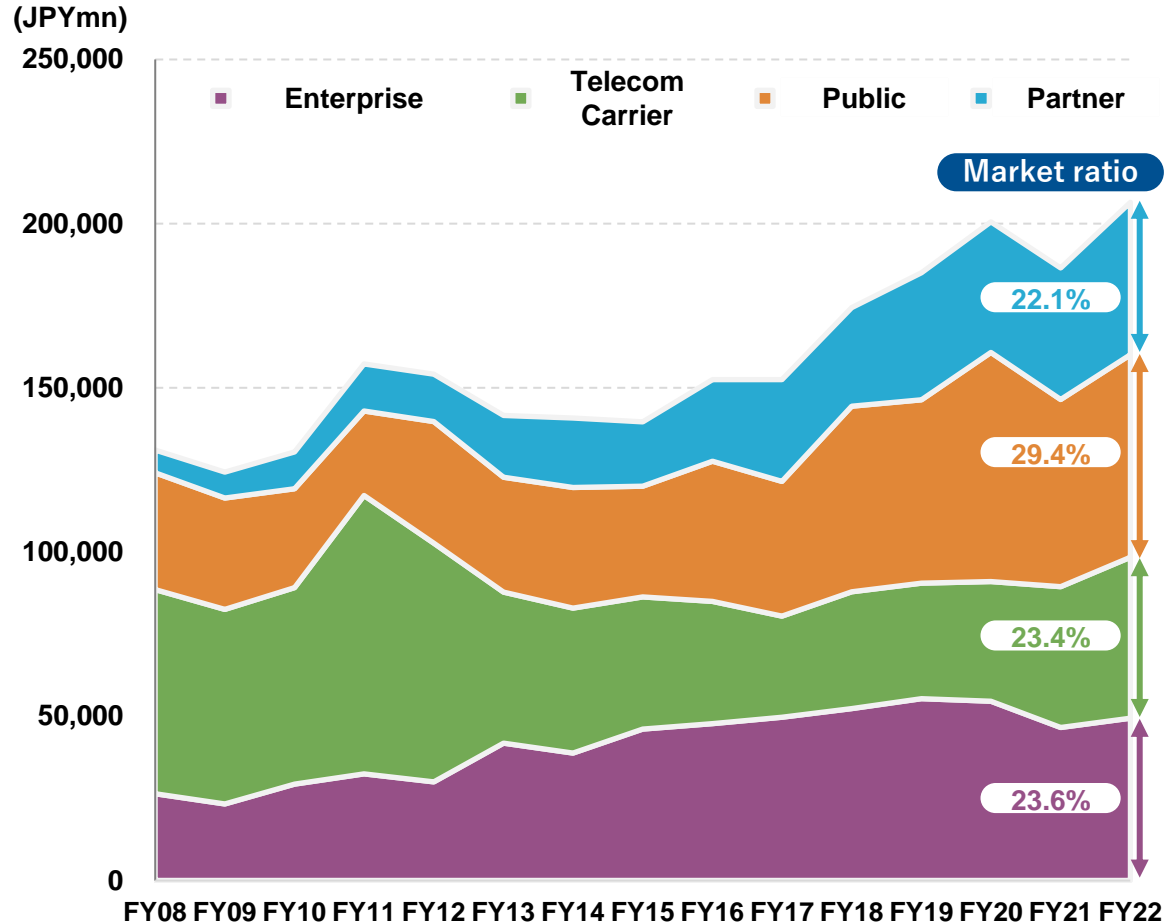
## Operating Income



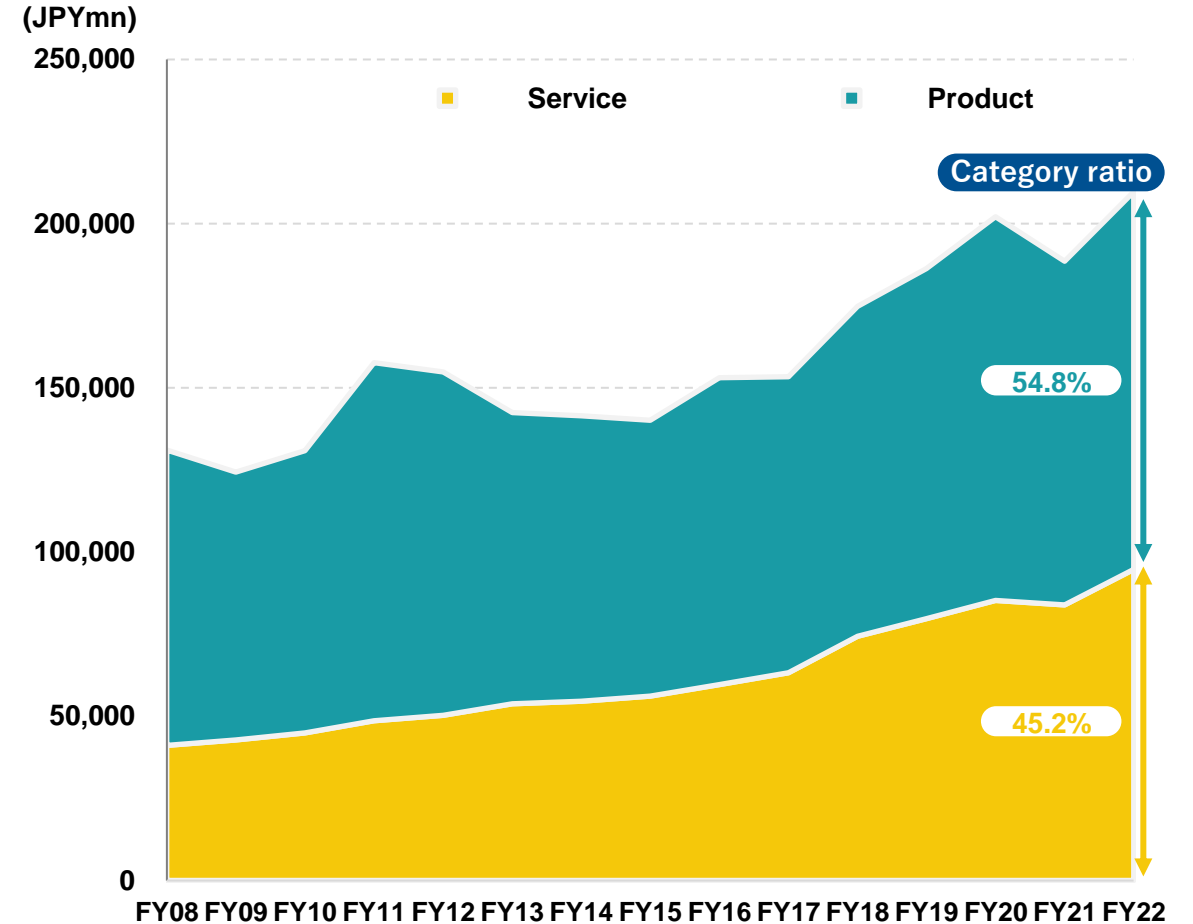
(Note) 1. The accounting policy has been changed since Q1 FY22 (some of the expenses of the engineering department are now recorded as cost of sales instead of SG&A expenses).  
 2. Figures in parentheses are based on previous accounting policy.

# Trends in revenue (by market sector / product category)

## ■ By market sector



## ■ By product category



(Note) 1. The internet service provider (ISP) business has been reclassified from the Enterprise sector to the Telecom Carrier sector, effective from the beginning of FY21.  
 2. SaaS (cloud services) was reclassified from product to service from FY21.

# Progress of measures to prevent recurrence (January 2023)

## Progress

<p><b>1. Governance reform and promotion</b></p>	<ul style="list-style-type: none"> <li>• Held case study workshops on the Subcontract Act as a major risk to raise awareness of compliance and governance, which will prevent recurrence of misconduct <a href="#">1.(1)-b</a>, <a href="#">1.(4)-b</a></li> <li>• Continued to disseminate messages to employees with enhanced frequency and quality, including distribution of messages from top management <a href="#">1.(3)-a</a></li> </ul>	<p><b>5. System for collecting employee feedback</b></p>	<ul style="list-style-type: none"> <li>• Completed trial run of whistleblower platform that enables anonymous two-way communication and began offering full service to employees <a href="#">5.(1)-a</a></li> <li>• Analyzed feedback received by the feedback system utilizing third-party points of contact and promoted recommendations and improvements for important issues identified <a href="#">5.(2)-a</a></li> </ul>
<p><b>2. Enhancement of risk management system</b></p>	<ul style="list-style-type: none"> <li>• Continued internal sharing of risks that have emerged through the portal dedicated to risk information <a href="#">2.(2)-d</a></li> <li>• Continued collaboration with the Governance and Corporate Culture Advisory Committee, which was created in April 2022 after reorganizing the Internal Control Enhancement Council <a href="#">2.(2)-e</a></li> </ul>	<p><b>6. Reform and creation of organizational culture</b></p>	<ul style="list-style-type: none"> <li>• Created and began utilizing pictograms as supplemental tools to disseminate our WAY (Code of Conduct) internally; began accepting entries for Vision Award (content to be featured during Vision Week) <a href="#">1.(3)-a</a>, <a href="#">6.(2)-b/c/d</a></li> <li>• Continued one-on-one meetings between supervisors and individual subordinates based on the Declaration of Conduct pursuant to our new philosophy system <a href="#">6.(2)-e</a></li> </ul>
<p><b>3. Strengthening of business execution systems and other internal systems</b></p>	<ul style="list-style-type: none"> <li>• Continued holding various periodic joint meeting with the first, 1.5th, and second lines of defense to share information across divisions and strengthen the business execution system <a href="#">3.(1)-a</a>, <a href="#">3.(2)-a</a></li> </ul>	<p><b>7. Accounting literacy education, and training and instruction based on prior examples of misconduct</b></p>	<ul style="list-style-type: none"> <li>• Continued Step 2 of accounting literacy improvement and accounting knowledge education for 2H FY22 for all employees, including executives (content tailored to respective positions) <a href="#">7.(1)-a</a></li> <li>• Continued holding business rule briefings and workshops on learning from previous mistakes or failures, and shared examples of mistakes or failures <a href="#">7.(3)-a</a></li> </ul>
<p><b>4. Radical revisions to our auditing system</b></p>	<ul style="list-style-type: none"> <li>• Organization-specific internal audits completed. For internal audit by theme, themes and organizations to be audited have been selected <a href="#">4.(1)-b</a></li> <li>• Assessed internal control design in accordance with the internal control assessment plan we established for FY22 in compliance with the Financial Instruments and Exchange Act (J-SOX); reported to the Management Committee regarding the status of these assessments <a href="#">4.(3)-a</a></li> <li>• Regularly held opinion exchange forums to facilitate communication between outside executive directors (full-time Audit &amp; Supervisory Committee members) and inside executive directors <a href="#">4.(4)-a</a></li> </ul>	<p><b>8. Ongoing monitoring</b></p>	<ul style="list-style-type: none"> <li>• Continued selecting new thematic areas of focus for periodic investigations other than our internal audits; pushed forward with preparations of methodologies and schedules with the goal of conducting these investigations in FY23 <a href="#">8.(2)-a</a></li> </ul>

(Notes) 1. Please refer to our release entitled “Additional Measures to Prevent Recurrence” dated May 13, 2021 (available in Japanese only) for an itemized list of details regarding specific recurrence prevention measures (in blue).

2. Internal audit by theme: A theme will be set and an internal audit conducted when it is determined that a cross-organization internal audit is required based on the results of risk assessment and organization-specific internal audit.

# Progress of measures to prevent recurrence (February 2023)

## Progress

<p><b>1. Governance reform and promotion</b></p>	<ul style="list-style-type: none"> <li>• Held case study workshops on the Subcontract Act as a major risk to raise awareness of compliance and governance, which will prevent recurrence of misconduct <b>1.(1)-b, 1.(4)-b</b></li> <li>• Continued to disseminate messages to employees with enhanced frequency and quality, including distribution of messages from top management <b>1.(3)-a</b></li> </ul>	<p><b>5. System for collecting employee feedback</b></p>	<ul style="list-style-type: none"> <li>• Completed trial run of whistleblower platform that enables anonymous two-way communication and began offering full service to employees <b>5.(1)-a</b></li> <li>• Redefined functions and roles of the feedback system utilizing third-party points of contact and worked on improvements to identify issues effectively <b>5.(2)-a</b></li> </ul>
<p><b>2. Enhancement of risk management system</b></p>	<ul style="list-style-type: none"> <li>• Continued internal sharing of risks that have emerged through the portal dedicated to risk information <b>2.(2)-d</b></li> <li>• Continued collaboration with the Governance and Corporate Culture Advisory Committee, which was created in April 2022 after reorganizing the Internal Control Enhancement Council <b>2.(2)-e</b></li> </ul>	<p><b>6. Reform and creation of organizational culture</b></p>	<ul style="list-style-type: none"> <li>• Created and began utilizing pictograms as supplemental tools to disseminate our WAY (Code of Conduct) internally; launched Vision Week as a time for employees to reflect on our corporate philosophy <b>1.(3)-a, 6.(2)-b/c/d</b></li> <li>• Continued one-on-one meetings between supervisors and individual subordinates based on the Declaration of Conduct pursuant to our new philosophy system <b>6.(2)-e</b></li> </ul>
<p><b>3. Strengthening of business execution systems and other internal systems</b></p>	<ul style="list-style-type: none"> <li>• Continued holding various periodic joint meeting with the first, 1.5th, and second lines of defense to share information across divisions and strengthen the business execution system <b>3.(1)-a, 3.(2)-a</b></li> </ul>	<p><b>7. Accounting literacy education, and training and instruction based on prior examples of misconduct</b></p>	<ul style="list-style-type: none"> <li>• Continued Step 2 of accounting literacy improvement and accounting knowledge education for 2H FY22 for all employees, including executives (content tailored to respective positions) <b>7.(1)-a</b></li> <li>• Continued holding business rule briefings and workshops on learning from previous mistakes or failures, and shared examples of mistakes or failures <b>7.(3)-a</b></li> </ul>
<p><b>4. Radical revisions to our auditing system</b></p>	<ul style="list-style-type: none"> <li>• Conducted internal audits by theme <b>4.(1)-b</b></li> <li>• Assessed internal control design and implementation in accordance with the internal control assessment plan we established for FY22 in compliance with J-SOX; reported to the Management Committee regarding the status of these assessments <b>4.(3)-a</b></li> <li>• Training aimed at fostering understanding of J-SOX completed <b>4.(3)-d</b></li> <li>• Regularly held opinion exchange forums to facilitate communication between outside executive directors (full-time Audit &amp; Supervisory Committee members) and inside executive directors <b>4.(4)-a</b></li> </ul>	<p><b>8. Ongoing monitoring</b></p>	<ul style="list-style-type: none"> <li>• Continued selecting new thematic areas of focus for periodic investigations other than our internal audits; pushed forward with preparations of methodologies and schedules with the goal of conducting these investigations in FY23 <b>8.(2)-a</b></li> </ul>

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## Progress

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<p><b>2. Enhancement of risk management system</b></p>	<ul style="list-style-type: none"> <li>• Continued internal sharing of risks that have emerged through the portal dedicated to risk information <a href="#">2.(2)-d</a></li> <li>• Continued collaboration with the Governance and Corporate Culture Advisory Committee, which was created in April 2022 after reorganizing the Internal Control Enhancement Council <a href="#">2.(2)-e</a></li> </ul>	<p><b>6. Reform and creation of organizational culture</b></p>	<ul style="list-style-type: none"> <li>• Created and began utilizing pictograms as supplemental tools to disseminate our WAY (Code of Conduct) internally; held online Vision Week, including talks by speakers from outside the Company and sharing business divisions' dissemination activities <a href="#">1.(3)-a</a>, <a href="#">6.(2)-b/c/d</a></li> <li>• Continued one-on-one meetings between supervisors and individual subordinates based on the Declaration of Conduct pursuant to our new philosophy system <a href="#">6.(2)-e</a></li> </ul>
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charge ∠ channel ∠ change



**net one**